

APPENDIX.

Revenue Act of 1932, c. 209, 47 Stat. 169:

SEC. 501. IMPOSITION OF TAX.

(a) For the calendar year 1932 and each calendar year thereafter a tax, computed as provided in section 502, shall be imposed upon the transfer during such calendar year by any individual resident or nonresident, of property by gift.

* * * * *

SEC. 502. COMPUTATION OF TAX.

The tax for each calendar year shall be an amount equal to the excess of—

(1) a tax, computed in accordance with the Rate Schedule hereinafter set forth, on the aggregate sum of the net gifts for such calendar year and for each of the preceding calendar years, over

(2) a tax, computed in accordance with the Rate Schedule, on the aggregate sum of the net gifts for each of the preceding calendar years.

* * * * *

SEC. 505. DEDUCTIONS.

In computing net gifts for any calendar year there shall be allowed as deductions:

(a) Residents.—In the case of a citizen or resident—

(1) Specific Exemption.—An exemption of \$50,000 less the aggregate of the amounts claimed and allowed as specific exemption for preceding calendar years.

* * * * *

SEC. 506. GIFTS MADE IN PROPERTY.

If the gift is made in property, the value thereof at the date of the gift shall be considered the amount of the gift.

Treasury Regulations 79 (1936 Ed.) Relating to Gift

Tax under the Revenue Act of 1932, as amended and supplemented:

ART. 12. Specific exemption.—In determining the amount of net gifts of a given calendar year there may be deducted, if the donor was a resident or citizen of the United States at the time the gifts were made, a specific exemption of \$40,000 (\$50,000 if the calendar year is before 1936), less the sum of the amounts claimed and allowed as an exemption in prior calendar years. The exemption, at the option of the donor, may be taken in its entirety in a single year, or be spread over a period of years in such amounts as he sees fit, but after the limit has been reached no further exemption is allowable.

* * * * *

ART. 19. Valuation of property.—(1) *General*.—The statute provides that if the gift is made in property, the value thereof at the date of the gift shall be considered the amount of the gift. The value of the property is the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell. The value of a particular kind of property is not to be determined by a forced sale price or by an estimate of what a whole block or aggregate would fetch if placed upon the market at one and the same time. Such value is to be determined by ascertaining as a basis the fair market value at the time of the gift of each unit of the property. For example, in the case of shares of stock or bonds, such unit of property is a share or a bond. All relevant facts and elements of value as of the time of the gift should be considered. Depreciation or appreciation in value subsequent to the time of the gift are not relevant factors and will not be considered.

* * * * *

(3) *Stocks and bonds.*—The value at the date of the gift in the case of stocks and bonds, within the meaning of the statute, is the fair market value per share or bond on such date.

The value of stocks and bonds listed upon a stock exchange shall be obtained by taking the mean between the highest and lowest quoted selling prices upon the date of the gift. If the gift was made on Sunday or on a legal holiday, the transactions of the next previous business day will govern. If there were no sales on the date of the gift, the value shall be determined by taking the mean between the highest and lowest sales upon the nearest date either before or after the date of the gift, if within a reasonable period thereof. If the security was listed upon more than one exchange, the records of the exchange where the security was principally dealt in should be employed. In valuing listed stocks and bonds the donor should observe care to consult accurate records to obtain values as of the date of the gift.

* * * * *

In exceptional cases in which it is established by clear and convincing evidence that the value per bond or share of any security determined upon the basis of selling or bid and asked prices as herein provided does not reflect the fair market value thereof, other relevant facts and elements of value will be considered in determining the fair market value. The size of the gift of any security is not a relevant factor and will not be considered in such determination.⁵

* * * * *

5. This last sentence was eliminated by T.D. 4901, 1939—1 Cum. Bull. 341, in which this article of the Regulations was slightly changed in some other respects.